

AR26

The
Sterling Trusts
Corporation
Sixty-First
Annual Report
1972



AR26

The
Sterling Trusts
Corporation

Interim Report

FOR THE SIX MONTHS ENDED
JUNE 30, 1972



THE STERLING TRUSTS CORPORATION

INTERIM REPORT

FOR THE SIX MONTHS ENDED JUNE 30, 1972

The unaudited results of operations for six months ended June 30th, 1972 compared with one half of the *actual* figures for 1971 are as follows:

	1972	1971
Gross Revenue - - - - -	\$3,042,350	\$ 2,682,776
Net Earnings from operations - - - - -	437,000	351,006
Net Gain on realization of investments - - - - -	18,000	29,466
Net Income before income taxes - - - - -	455,000	380,472
Income Taxes - - - - -	190,000	154,450
Net Earnings - - - - -	265,000	226,022
Number of shares outstanding - - - - -	646,379	564,120
Net Earnings per share - - - - -	41¢	40¢
Dividends - - - - -	116,348	101,542
Per share - - - - -	18¢	18¢

GUARANTEED TRUST ACCOUNT

	as at June 30, 1972	as at Dec. 31, 1971
Guaranteed Trust Certificates - - - - -	\$53,057,530	\$49,222,891
Savings Deposits - - - - -	12,334,261	11,150,491
Total Guaranteed Trust Funds - - - - -	65,391,791	60,373,382
First Mortgages - - - - -	58,721,073	54,012,924

TO OUR SHAREHOLDERS:

The above comparison shows an increase of 17% in net earnings. The earnings per share reflect the increase of shares outstanding from 564,120 in 1971 to 646,379 as a result of the Rights issue in March of 1972. The 1972 budgets for advertising and business promotion were substantially increased to provide a greater build-up in the business being carried on by the Corporation and also to support the new Toronto branch at 347 Bay Street. I am happy to report that this branch, which was officially opened on June 22nd by the Honourable Darcy McKeough, Treasurer of the Province of Ontario, has been well patronized, not only by old friends and clients, but in addition thereto by many new customers.

As a result of international monetary conditions, keen competition for funds has tended to narrow the normal 2% spread in interest rates between 5 year term deposits and prime mortgages. To a degree this condition has been offset by increased volume.

N. F. PETERSEN
President

DIRECTORS

President

NIELS F. PETERSEN - - - - - Toronto, Ont.

Vice-Presidents

ROBERT BIGELOW, a.c. - - - - - Toronto, Ont.

HORACE T. BURGESS - - - - - Toronto, Ont.

ELTON R. MEREDITH - - - - - Orillia, Ont.

S. BRUCE ADAMS, F.C.A. - - - - - Toronto, Ont.

NORMAN H. BELL - - - - - Toronto, Ont.

PETER O. CRASSWELLER, M.D., F.R.C.S.(C), F.A.C.S. - - - - - Toronto, Ont.

ROBERT I. HENDY, a.c. - - - - - Toronto, Ont.

F. ROBERT HEWETT - - - - - Toronto, Ont.

H. DONALD LANGDON, a.c. - - - - - Toronto, Ont.

CHAS. J. SEAGRAM, a.c. - - - - - Barrie, Ont.

T. GORDON TAYLOR - - - - - Toronto, Ont.

ARTHUR W. WHITE - - - - - Toronto, Ont.

J. ALEX WILSON, B.A.Sc., P.Eng. - - - - - Orillia, Ont.

AUDITORS

MESSRS. PEAT, MARWICK, MITCHELL & CO.

INCORPORATED IN NINETEEN HUNDRED AND ELEVEN
MEMBER OF CANADA DEPOSIT INSURANCE CORPORATION

1 Group of the new branch staff members.

2 The Hon. Darcy McKeough and the President prior to the ribbon cutting ceremony.

3 Exterior view of the new branch on opening day.

4 An informal scene in the office after the opening ceremonies.

5 Mr. J. A. Shute, Branch Manager, greeting senior officers prior to the opening ceremony.



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To Our Shareholders:

The sixty-second Annual Report of your Corporation is submitted for your approval.

The year 1972 was a record one for the Corporation; assets under administration exceeded \$100,000,000—a milestone in our history. The exact figures are \$76,547,322 in capital and guaranteed funds, plus \$25,172,793 in estates, trusts and agency assets under administration. After tax earnings increased by \$93,663 to \$545,709, an increase of 20.71% over the previous year's results. Of even greater note is a 25.43% increase in the Corporation's net operating income. These results have been achieved in a year during which the Corporation has been involved in considerably increased expenditure, both as a result of continually rising costs and also as a result of increased activity in all phases of the Corporation's operations.

The programme of development, outlined in my report last year, has largely been implemented; guaranteed accounting has been computerized, accounting systems generally are being streamlined, and computerization of the mortgage accounting is under study.

The new branch at 347 Bay Street, Toronto, was formally opened by the Hon. Darcy McKeough on June 22nd, although open to the public three days earlier. Some scenes from the opening day are shown on page 2 of this report. Opening of the branch was accompanied by a special promotion which lasted for six weeks, and has been described as one of the more picturesque promotions on Bay Street. The promotion was extremely effective, and the results achieved by the branch, both during the opening promotion and since, have been well in excess of our expectations. The branch, under the capable management of Mr. J. A. Shute, is already making its contribution to the Corporation's profits. The first prize winner in the promotion contest was Miss Peggy Stroud, and I was most pleased to learn from her that her prize was to be used in the furtherance of her education.

The older established branches at Barrie and Orillia, under the management of Messrs. Furzecott and Hewitt, respectively, have both achieved record growth in deposits and have contributed substantially to the year's results. Increased support has also been received from our independent representatives, and I should like to express my appreciation to the many individuals responsible for this.

Activities in the trust fields have increased; mainly in the area of pension trusts. Sales of registered retirement savings plans tripled in 1972, and a campaign is now under way with the objective of doubling our 1972 sales. A plan suitable for use by smaller companies was developed during the year; the first of these plans has now been established and a sales programme will be continuing during 1973.

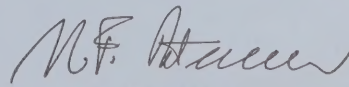
Profits from pension services are slower to develop, as fees are based on the value of funds in the plan from time to time. It is anticipated, however, that the Corporation will benefit substantially in the years to come from the plans that are now being sold.

During the year, Mr. G. Macpherson, C.A., was appointed Controller of the Corporation, with specific responsibilities for the Corporation's accounting functions. Mr. H. T. Laine was appointed Assistant Manager of the Corporate Trust Department. Mr. Laine has been on the Corporation's staff for a number of years, initially at the Barrie office and more recently at Head Office.

The Board has appointed Mr. D. W. Jones, F.C.I.S., to the position of Executive Assistant to the President, with responsibility for Corporate development. Mr. Jones is Assistant General Manager and will retain a number of his management responsibilities.

In planning for 1973 your Board recognizes the increased competition that will be faced in all fields and in particular the placing of mortgage investments. With this in mind steps have been taken to enable us to meet competition in the mortgage field. One of the steps taken being to enable the Corporation to compete in the placing of high ratio mortgages. Other plans for 1973 include setting up a separate business development department under the management of Mr. John H. Wood, our present chief accountant. In addition the Board and Senior Officers are actively studying plans for the further development of the Corporation during the year. I hope to be in a position to announce these plans shortly.

It is a great privilege for me to present this report and to express my sincere appreciation to the Board of Directors, the Staff and the Corporation's many friends for their continued interest and support, without which we would not have been able to achieve the excellent results shown in the report.


President

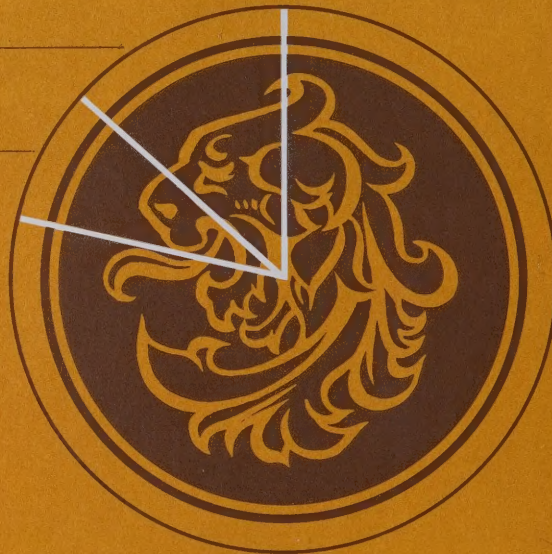
22nd January, 1973.

WHERE STERLING TRUSTS' REVENUE CAME FROM

78.62% Revenue from Investments Less: Interest on deposits

13.34% Fees and Commissions

8.04% Other Sources



WHERE STERLING TRUSTS' REVENUE WENT

25.34% Salaries and Staff Benefits

26.84% Operating Expenses

19.71% Income Taxes

12.32% Dividends

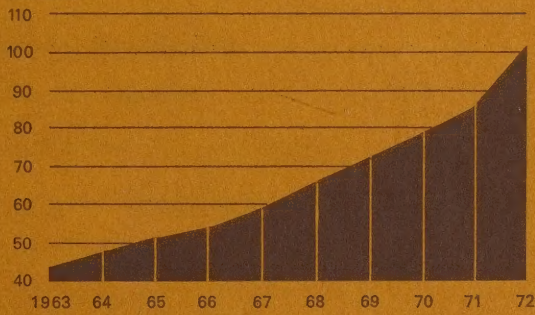
15.79% Retained Earnings



RECORD OF PAST TEN YEARS

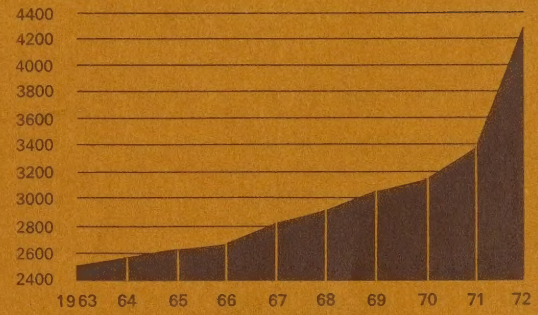
ASSETS UNDER ADMINISTRATION

Millions



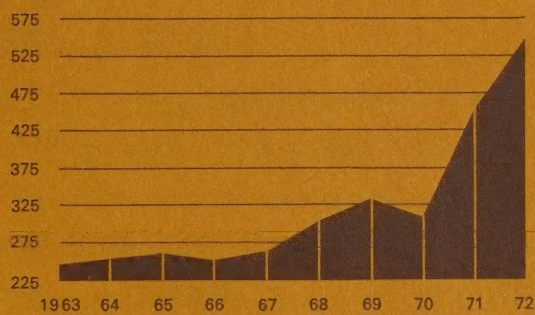
CAPITAL AND RESERVES

Thousands



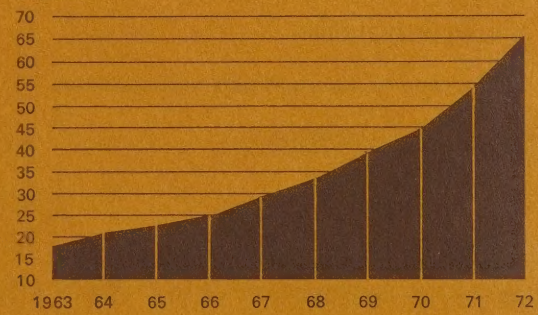
NET PROFIT AFTER TAXES

Thousands



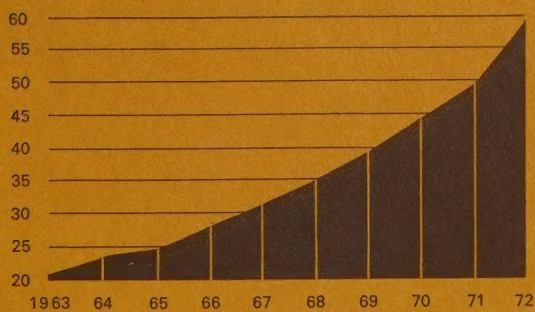
MORTGAGES

Millions



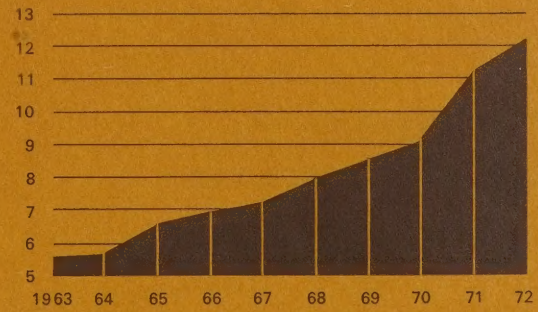
GUARANTEED TRUST CERTIFICATES

Millions



SAVINGS DEPOSITS

Millions



BALANCE SHEET

*with comparative***ASSETS**

	1972	1971
Cash - - - - -	\$ 735,963	\$ 776,851
Securities (note 1):		
Bonds and debentures - - - - -	6,542,357	6,478,162
Stocks - - - - -	2,100,350	1,771,447
Total securities - - - - -	8,642,707	8,249,609
Loans:		
Mortgages - - - - -	65,781,452	54,012,924
Loans on securities - - - - -	1,160,965	987,567
Advances to estates, trusts and agencies - - - - -	5,146	46,940
Total loans - - - - -	66,947,563	55,047,431
Office premises and equipment, at cost		
less accumulated depreciation \$106,057 (1971 \$91,649) - - - - -	194,607	206,676
Other assets - - - - -	26,482	20,495
	<u>\$ 76,547,322</u>	<u>\$ 64,301,062</u>

We certify that to the best of our knowledge and
truly and clearly the financial

See accompanying

TS CORPORATION

CEMBER 31, 1972

figures for 1971

LIABILITIES AND SHAREHOLDERS' EQUITY

	1972	1971
Guaranteed trust account:		
Savings deposits - - - - -	\$ 12,151,889	\$ 11,150,491
Guaranteed trust certificates - - - - -	59,457,157	49,222,891
Total guaranteed trust account - - - - -	<u>71,609,046</u>	<u>60,373,382</u>
Accounts payable - - - - -	45,516	25,577
Dividend payable - - - - -	64,638	50,771
Income taxes payable - - - - -	60,177	45,419
Deferred income taxes - - - - -	483,000	397,000
Shareholders' equity:		
Capital stock (note 2):		
Authorized 1,000,000 shares of \$2 each par value		
Issued and fully paid 646,379 shares (1971 564,120) - - - - -	1,292,758	1,128,240
Contributed surplus—premium on issue of shares (note 2) - - - - -	404,964	—
General reserve - - - - -	2,400,000	2,084,000
Retained earnings - - - - -	187,223	196,673
Total shareholders' equity - - - - -	<u>4,284,945</u>	<u>3,408,913</u>
	<u>\$ 76,547,322</u>	<u>\$ 64,301,062</u>

the foregoing balance sheet is correct and shows
ion of the Corporation's affairs.

N. F. PETERSEN, *President*

H. T. BURGESS, *Vice-President*

T. G. TAYLOR, *Managing Director*

o financial statements.

THE STERLING TRUSTS CORPORATION

STATEMENT OF EARNINGS, for the year ended December 31, 1972

with comparative figures for 1971

	1972	1971
Revenue:		
Income from mortgages and other loans - - - - -	\$ 5,529,077	\$ 4,494,255
Income from securities - - - - -	531,326	525,787
Fees and commissions - - - - -	259,207	273,286
Other operating revenue - - - - -	82,304	72,224
Total revenue - - - - -	6,401,914	5,365,552
Expenses:		
Interest on guaranteed trust account - - - - -	4,533,695	3,887,311
Salaries and staff benefits - - - - -	492,135	454,513
Premises, including depreciation \$14,408 (1971 \$15,724) - - - - -	163,279	112,390
Other operating expenses - - - - -	357,942	209,326
Total expenses - - - - -	5,547,051	4,663,540
Operating income before income taxes - - - - -	854,863	702,012
Income taxes—current - - - - -	275,800	225,900
—deferred - - - - -	86,000	83,000
	361,800	308,900
Net operating income - - - - -	493,063	393,112
Gain on sale of securities, less related income taxes \$21,000 (1971 \$10,100) - - - - -	52,646	58,934
Net earnings for the year transferred to retained earnings - - - - -	\$ 545,709	\$ 452,046
Earnings per share (note 4)		
Net operating income - - - - -	\$ 0.79	\$ 0.70
Gain on sale of securities - - - - -	0.08	0.10
Net earnings for the year - - - - -	\$ 0.87	\$ 0.80

See accompanying notes to financial statements.

THE STERLING TRUSTS CORPORATION

STATEMENTS OF CONTRIBUTED SURPLUS, GENERAL RESERVE AND RETAINED EARNINGS, for the year ended December 31, 1972

with comparative figures for 1971

CONTRIBUTED SURPLUS

	1972	1971
Balance at beginning of year - - - - -	\$ —	\$ —
Proceeds in excess of par value of capital stock issued during year (note 2) - - - - -	412,621	—
Less expenses of rights issue - - - - -	7,657	—
Balance at end of year - - - - -	<u>\$ 404,964</u>	<u>\$ —</u>

GENERAL RESERVE

	1972	1971
Balance at beginning of year - - - - -	\$ 2,084,000	\$ 1,886,000
Add transfer from retained earnings - - - - -	316,000	198,000
Balance at end of year - - - - -	<u>\$ 2,400,000</u>	<u>\$ 2,084,000</u>

RETAINED EARNINGS

	1972	1971
Balance at beginning of year - - - - -	\$ 196,673	\$ 145,710
Add transfer from net earnings for the year - - - - -	545,709	452,046
	<u>742,382</u>	<u>597,756</u>
Deduct:		
Transfer to general reserve - - - - -	316,000	198,000
Dividends - - - - -	239,159	203,083
	<u>555,159</u>	<u>401,083</u>
Balance at end of year - - - - -	<u>\$ 187,223</u>	<u>\$ 196,673</u>

See accompanying notes to financial statements.

THE STERLING TRUSTS CORPORATION

NOTES TO FINANCIAL STATEMENTS, December 31, 1972

1. Securities:

Securities issued by the Governments of Canada and the Provinces are stated at amortized cost; other securities are stated at cost:

	1972		1971	
	Cost	Market	Cost	Market
Bonds—Government of Canada - - - - -	\$ 2,756,985	\$ 2,706,740	\$ 2,912,709	\$ 2,915,154
Provinces of Canada - - - - -	1,288,518	1,172,639	930,250	809,009
Municipalities - - - - -	1,396,243	1,313,456	1,534,592	1,438,864
Other - - - - -	1,100,611	1,007,873	1,100,611	995,728
	6,542,357	6,200,708	6,478,162	6,158,755
Stocks - - - - -	2,100,350	2,227,318	1,771,447	1,789,827
	<u>\$ 8,642,707</u>	<u>\$ 8,428,026</u>	<u>\$ 8,249,609</u>	<u>\$ 7,948,582</u>

2. Capital Stock:

(a) During 1972, 82,259 shares of the Corporation's capital stock were issued for cash as follows:

	Number of Shares	Issue Price	Credited to	
			Capital Stock	Contributed Surplus
On exercise of rights granted to shareholders to purchase 1 share for each 7 shares held - - - -	80,219	\$7.00	\$ 160,438	\$ 401,095
On exercise of options under employee stock option plan - - - - -	2,040	7.65	4,080	11,526
	<u>82,259</u>		<u>\$ 164,518</u>	<u>\$ 412,621</u>

(b) At December 31, 1972 options were outstanding under a stock option plan for employees to purchase 8,760 shares at \$7.65 per share exercisable to the extent of 2,190 shares during the period of the first to the fifteenth of January in each of the years 1973 to 1976 inclusive. Subsequent to December 31, 1972 options to purchase 2,190 shares have been exercised.

3. Directors' and officers' remuneration:

The aggregate direct remuneration paid or payable by the Corporation to directors and senior officers during the year was \$105,623 (1971 — \$96,926).

4. Earnings per share:

Earnings per share are based on the weighted average of shares outstanding during the period. The exercise of options outstanding would not materially dilute earnings per share.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of The Sterling Trusts Corporation as at December 31, 1972 and the statements of earnings, contributed surplus, general reserve and retained earnings for the year then ended and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1972 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario
January 15, 1973

PEAT, MARWICK, MITCHELL & CO.
Chartered Accountants

EXECUTIVE COMMITTEE

N. F. PETERSEN

S. B. ADAMS, F.C.A.

ROBERT BIGELOW, a.c.

H. T. BURGESS

R. I. HENDY, a.c.

H. D. LANGDON, a.c.

E. R. MEREDITH

OFFICERS

N. F. PETERSEN - - - - - *President*

ROBERT BIGELOW, a.c. - - - - - *Vice-President*

H. T. BURGESS - - - - - *Vice-President*

ELTON R. MEREDITH - - - - - *Vice-President*

T. GORDON TAYLOR - - - - - *Managing Director*

DENNIS W. JONES, F.C.I.S. - - - *Executive Assistant to the President*

F. C. BEVERIDGE - - - - - *Secretary and Transfer Officer*

GILBERT MACPHERSON, C.A. - - - - - *Controller*

J. L. ALLAN - - - - - *Trust Officer*

ARTHUR IVINEY - - *Manager, Mortgage and Real Estate Department*

J. P. LETROS - *Assistant Manager, Mortgage and Real Estate Department*

H. T. LAINE - - - - *Assistant Manager, Stock Transfer Department*

J. H. WOOD - - - - - *Accountant*

Special Representatives

C. LESLIE CHITTICK

H. E. HALL

D. F. TWISS

R. E. WHITE

OFFICES

Head Office

TORONTO, ONTARIO, 372 Bay Street
G. MACPHERSON, C.A., *Manager*

Branches

TORONTO, ONTARIO, 347 Bay Street
J. A. SHUTE, *Manager*

BARRIE, ONTARIO, 35 Dunlop Street E.
R. A. FURZECOTT, *Manager*

ORILLIA, ONTARIO, 73 Mississaga Street E.
B. M. HEWITT, *Manager*

SERVICES

PERSONAL TRUSTS —Estates Administration
Estate Planning
Agency Services
Cemetery Trusts

PENSION TRUSTS —Registered Retirement Savings Plans
Company Pension Plans

CORPORATE TRUSTS—Transfer Agency
Registrar
Dividend Disbursing
Bond Trusteeship
Escrow Agent

DEPOSITS —Chequing Savings
Personal Savings
Special Savings Certificates
Guaranteed Trust Certificates
Guaranteed Growth Certificates

REAL ESTATE —Mortgages
Appraisals
Sales
Management

PERSONAL LOANS

SAFE DEPOSIT BOXES

